

STATEWIDE ISSUES

The Statewide Issues Section of the Budget Summary includes issues that affect multiple departments in various major program areas. This chapter describes items in the budget which fall into these categories. These issues do not lend themselves to a discussion of a program mission or accomplishments from the previous year, but have a year-to-year impact on the state budget. The following sections describe a few of these statewide issues that are not specific to a program but which have significant effect either on the state budget or how the state conducts business.

PUBLIC EMPLOYEE POST-EMPLOYMENT BENEFITS COMMISSION

The Governor recently created the Public Employee Post-Employment Benefits Commission to examine what is owed in unfunded retirement benefits, both pension benefits and non-pension benefits such as health benefits, and to recommend how best to meet those obligations as they become due. This commission is the first step in fulfilling the Governor's commitment to examine the entire issue of post-employment benefits promised to employees of cities, counties, special district, school districts, and the state, and propose a well-reasoned plan to pay for these benefits. The commission includes twelve members: six, including the chairperson, appointed by the Governor, three appointed by the Speaker of the Assembly, and three appointed by the Senate President Pro Tem.

Since 2000-01 the state's payments to CalPERS have increased by 1,500 percent and the state's payments for retiree health and dental benefits have increased by 150 percent. These increases are consistent with those of other government employers in California. All governments in California will need to develop strategies to deal with these costs that

are increasing faster than available budget resources. The Commission recently created by the Governor will provide guidance to state and local governments as they develop these individual strategies.

STATE CIVIL SERVICE HUMAN RESOURCES REFORM

The state's civil service system is a cumbersome and difficult system to administer. For the state's more than 215,000 employees (not including higher education institutions), there are more than 4,000 separate job classifications which are duplicative and generally reflect either program or department-specific desires to tailor job descriptions to their individual needs. The Department of Personnel Administration administers the civil service compensation program and the job classifications. The State Personnel Board is responsible for the merit aspects of civil service, including determining eligibility for appointment into civil service positions and for promotions. The two agencies will be working together to create a comprehensive plan to significantly reduce the number of classifications, and reform how the state brings new employees into civil service, how they are compensated, and how they can promote once they are working for the state.

Currently, the process through which an individual obtains a job with the state can take from several months to more than a year, depending on the type of job and the experience or education requirements. This means that many who are initially interested in joining the state's workforce find that they can't wait until the state's testing and evaluation process is completed and they accept employment elsewhere. One of the goals of this civil service reform is to shorten that timeframe so a person interested in working for the state will know in a week or two whether or not they qualify for the desired jobs. Another goal is for state departments to have a continuously updated list of appointment-eligible people they can contact to interview for their vacancies. The state is also moving toward a system under which all forms of employee compensation will be reviewed periodically to determine the best way to attract new employees and retain existing employees.

The state, as with most employers in the nation, will be facing the loss of many of its most experienced and knowledgeable employees as the baby boomers retire. In order to ensure that there are sufficient numbers of qualified people to replace the retiring employees, the state will need to provide a salary and benefit package that appeals to the next generation of California workers. The same salary and benefits that attracted the baby boomers may not be as attractive to a generation which may not consider a job as the start of a career.

A task force has been assembled under the direction of the Department of Personnel Administration to create a strategic plan for comprehensive reform of state civil service. The task force will include representatives from the Department of Personnel Administration, the State Personnel Board and various other departments with human resources and labor relations expertise. The administration intends to present this plan to the Legislature in the Spring along with a proposal to fund the first phase of the task force recommendations.

ELIMINATING STATE BOARDS AND COMMISSIONS

The Administration continues to review the myriad of boards and commissions that have been created over the years to determine which of them should be eliminated because they are no longer needed. As part of the 2007-08 Budget, the Administration is proposing to eliminate the following boards and commissions:

Heritage Preservation Commission. This Commission consists of 16 members as appointed by the Governor, the Senate, the Assembly and 5 specified participants. This Commission's primary responsibility is to consult with the Secretary of State as required concerning preservation of documents in the State Archives. This Commission has not met since 2003.

California Consumer Power and Conservation Financing Authority. The California Consumer Power and Conservation Financing Authority (CPA) was created in response to the 2000-01 Energy Crisis and was charged with assuring a reliable supply of power to Californians at just and reasonable rates, including planning for sufficient reserves. After two and a half years, it was apparent that the CPA was providing minimal value in assisting the state in meeting its energy objectives. The administrative operations of the agency ceased in October 2004 and its last remaining program, the Demand Reserve Program, is scheduled to expire June 30, 2007. The Budget proposes to transfer all remaining CPA funds (estimated at \$2,541,000) to the Energy Commission to repay loans provided by the Budget Act of 2002 and the Budget Act of 2003.

California Electricity Oversight Board. The Electricity Oversight Board (EOB) was created as a result of energy deregulation and was intended to ensure that wholesale energy markets and the electric transmission system function reliably at fair costs to consumers. Many of its market oversight functions are no longer necessary as they have been filled by the federal government and the California Independent System Operator. The EOB also represents the state before the Federal Energy Regulatory Commission, Federal Courts and in regional forums. This function duplicates activities conducted by the Public Utilities

STATEWIDE ISSUES

Commission and the Office of the Attorney General. The Budget for this board is \$4,128,000 and 23 positions (21.9 PYs) for support of the EOB.

California Quality Education Commission. The California Quality Education Commission was established by Chapter 416, Statutes of 2003. The 13-member Commission was tasked with evaluating and reforming the state's education model for preschool through grade 12 students. The Commission's responsibilities will expire on January 1, 2008. The Budget proposes to eliminate the California Quality Education Commission because both the Governor's Committee on Education Excellence and the P-16 Council established by the Superintendent of Public Instruction absorbed the functions of the Commission.

The Budget proposes a Control Section to authorize the Director of Finance to reduce appropriations, as appropriate, to reflect the elimination of these boards.